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Forecasting Public Affairs Priorities

by Catherine Morrison

Management Summary

How Do Companies Rank Issues?

The ten most important issues are:

1. The federal budget and related tax reform
2. Regulatory reform
3. Environmental protection
4. Energy development
5. International trade relations
6. Health-care cost containment
7. Economic concentration
8. Local issues
9. South African investment
10. Plant closing laws

Company Commentary on Key Issues

Officers comment on the single issue of most pressing concern to their organizations. Included (with the above) are tort liability, regulations affecting telecommunications, transit, banking and financial services.

Single-issue lobbying is the method of choice for three-quarters of the firms.

Respondents distinguish between systemic or process failures, and unsuccessful intervention.

Forecasting Emerging Public Policy Issues

Companies are virtually certain that in 1987 they will still be dealing with tax reform, deregulation, the federal budget deficit, environmental protection, international trade, and health-care costs.

Corporate Relations Program

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Research
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Forecasting Public Affairs Priorities

Introduction

Corporations are justifiably concerned about changes in the social and political environment which, through legislative, social or economic action, can affect the ways in which firms are permitted—or required—to do business. Many of these changes are described as *public policy issues*, since most of them are in the public domain and involve public opinion and matters of national policy.

Most public policy issues of concern to business have certain shared elements. First, while a minority may be of importance primarily within a state or region, most have national implications. And even those that affect only a single state or region most often have the potential for affecting business operations in other than the immediate location. Second, the issue is likely to generate legislation (as new statutes or as amendments or revisions of existing laws). Most important, should this legislation be enacted, it will certainly impinge on, or directly affect, business operations.

Thus, it is obvious that business would like to be aware of potential changes in public policy as early as possible. To do this they must be able to identify and track issues as they develop.

The Corporate Tracking Effort

Corporations invest millions of dollars every year in the process of identifying and tracking issues. This intelligence-gathering process is justified on numerous grounds. First, corporate managements abhor uncertainty because it renders long-range planning impossible. Most issues are seen as inexorably linked to change and, in order to prepare for change, corporations must have some idea of the dimensions of the related organizational, financial and managerial adjustments. An early warning on either changing public attitudes or the emergence of a concern new to both the public and to lawmakers, is viewed as having critical importance.

Firms also want to be able to participate in the legislative process that usually accompanies the development of an issue. This Conference Board survey focuses not only on which issues are of concern to companies but also on the firms reactions, that is, their mode of preparation and level of involvement. In large measure, public affairs officers say their companies' stances are still reactive rather than pro-active. One public affairs executive says: "We are often more likely to become engaged in the process of [reacting to and] shaping the issue by our lobbying efforts during the national debate than we are likely to act on an early identification."

About This Report

In order to assess how corporate officers define, rank and manage various public policy issues facing their organizations, The Conference Board conducted a mail survey and field interviews during the Spring and Summer of 1985. A list of 950 public affairs officers was selected, drawing from the 1,000 largest industrial firms, and the 250 largest service companies (finance, transportation, insurance, and so forth). Questionnaires were mailed to these companies and 252 usable responses were obtained. Approximately three quarters of the respondent companies were manufacturing firms and the remainder were service firms from the financial, transport and business services sectors. The data from these questionnaires constitute the principal source of information for this report. Personal and telephone interviews were conducted with public affairs officers, government officials, and functional executives in human resources, legal and financial departments of the respondent companies, in order to gain additional insights on issues affecting these units' operations.

Because of the volatile nature of some issues, and the ongoing legislative activities that alter the status of various issues (e.g., tax reform, budget deficit), this analysis represents a snapshot of corporate concern at a particular point in time. It is the intention of The Conference Board to repeat this study at regular intervals with this initial report serving as a baseline against which we will measure shifting company attitudes and priorities. The survey was conducted in response to inquiries from CEO's, public affairs officers, and other senior executives seeking to obtain comparative data on how competitors and other companies of similar size and organization rate various public policy issues, and the extent to which these other firms may be involved in the public debate. Because this report measures both the rank ordering of the issues (in terms of their importance to the corporations), as well as the degree and type of corporate involvement in them, it should provide a useful response to these inquiries.

How Companies Rate Their Early Warning Abilities

The vast majority of companies do not believe that they are caught unawares by emerging public policy issues. A fifth rate their early warning systems as "excellent"; only 3 percent of all respondents believe that their companies do a poor job. (See Table 1.) "Despite the myths about corporations being insensitive to developing issues, nobody or no issue is really sneaking up on us," the public affairs manager for one consumer goods company says.

Organizing the Tracking Effort

A slight majority, 53 percent, report that they do *not* use a "formal" issues-tracking effort. In other words, they do not

Table 1: Companies' Evaluation of Their Ability to Identify Key Public Policy Issues

Evaluation Rating	*Percent of Companies (N = 252)*
Excellent	21.0%
Good	45.0
Average	31.0
Poor	3.0
	100%

have a formal plan or a budget for tracking issues. Instead, these companies rely on the overall sensitivity of their staff members to issues of concern to the company. While they may subscribe to consultants' polling and tracking services, they do not consider this a "formal" effort.

By contrast, the minority of responding companies—usually those with larger public affairs staffs—have designated one or more individuals to be wholly concerned with the firm's public policy agenda. This individual or group manages the issues identification and tracking program, which usually has an established budget and an agenda of issues priorities.

Regardless of whether or not a firm uses a formal tracking effort, nine out of ten rely on internal staff for identification and tracking activities. Firms may augment corporate staff through the use of consultants, sponsored polls and surveys, and related activities, but the overwhelming majority rely primarily on internal resources.

The firms that do use outside suppliers say that they do so in order to gain objectivity, reduce staffing costs, and obtain the advantages of the shared costs of multiclient surveys and studies. The principal disadvantage to the use of outsiders, public affairs officers say, are problems of timeliness and the questionable value of an outsider's perception of how an issue will actually affect the firm's operations. "Outsiders tend to produce generic research," one public affairs executive points out. "Those data are all right for a starting point, but we still need to do a lot of staff work of our own in order to see how an issue is going to have an impact on our company."

Briefing Top Management

Some public affairs officers prepare a formal issues agenda for their top managements' attention. This is usually a briefing that offers an agenda of issues and contains a short description of the evolution and current status of each, as well as its implications for the company. However, almost two-thirds (63 percent) of the companies studied do not use a formal issues agenda. Instead, they rely on reports issued at irregular time intervals, that focus on the top issues of concern to the company. In essence, this is a form of "management-by-exception" reporting. Reports are only directed to top management when the issue reaches a critical stage requiring company involvement in, for example, a government relations activity.

National versus Local Concerns

As Table 2 illustrates, national and state issues receive the greatest attention from the firms surveyed. Over half picked national issues as being of first importance, but nearly a third said that, for their firms, state issues rank first.

As might be expected, differences in corporate size, product or process, and markets served influence a company's allocation of resources among national, regional and state issues. Not surprisingly, multinational companies tend to rank international issues much higher than firms whose products are intended primarily for domestic markets. And, highly regulated industries—with the exception of banks and insurers that tend to be regulated on a state-by-state basis—rank national issues of much greater concern than they do state issues. In general, consumer goods firms rank national issues of greater concern than do industrial companies.

Levels of Corporate Involvement

For the purposes of this study, it was assumed the level of involvement of company staff and resources defines a corporation's concern with an issue. On issues of primary concern to the company, where the level of interest is reflected either by active lobbying, the support of advocacy groups that espouse the corporation's position, or the assignment of company staff and resources to a particular issue, companies are

Table 2: Rating of Issues by Importance—Geopolitical Boundaries

	Percent of Firms' Ranking				
Geopolitical Issues Category	*1st*[1]	*2nd*[1]	*3rd*[1]	*4th*[1]	*5th*[1]
National Issues	53	21	11	15	–
State Issues	33	41	20	6	–
Local Issues	9	14	30	28	20
Regional Issues	2	10	27	35	25
International Issues	6	15	15	14	51

[1]Details do not add to 100 percent because of rounding

Table 3: Levels of Corporate Involvement in Public Policy Issues

Title of Issue	*Percent of Firms Actively Involved*	*Percent of Firms Closely Monitoring*	*Percent of Firms Reporting General Interest*
Federal budget deficit or tax reform	50.6	23.0	25.1
Environmental protection	46.9	24.3	20.2
Regulatory reform	41.6	25.5	30.0
Health-care costs	41.2	37.0	18.1
International trade	35.8	21.8	27.2
Reregulation	31.5	31.1	29.5
Local community issues	29.5	23.7	35.3
Business and education	21.0	19.8	45.7
Electoral reform	20.2	43.2	29.2
Financial disclosure	19.8	42.8	30.5
Plant closing laws	19.8	33.7	29.2
Comparable worth	15.2	50.6	30.0
Age discrimination	14.8	53.5	29.2
Economic concentration	14.8	43.2	37.0
International investment	14.0	24.0	32.2
South Africa investment	12.5	13.8	19.2
Discrimination against handicapped	12.4	36.8	46.3
Ethnic discrimination	10.7	48.8	36.8
Family services	7.9	25.7	54.8
Structural unemployment	7.9	16.7	55.8
Employment-at-will	7.8	41.2	41.2
Federal Reserve issues	6.2	26.9	53.3
Third World issues	4.6	13.3	19.9
Religion and business	4.1	15.6	36.2
Immigration reform	2.9	10.3	34.2
Aid to Israel	0.8	4.6	20.7
Disarmament negotiations	0.8	2.5	23.9

described as being "actively involved." (See Table 3.) These issues tend to be those thought likely to involve legislation which would—or could—impede a company's manufacturing or marketing operations. In a few cases, such as tax reform, or budget-deficit financing, an issue may so significantly affect the overall economic climate that a company will inevitably expect an impact.

In other instances, companies keep a wary and watchful eye on the development of an issue—without any actual "involvement." In these cases, they have not yet committed themselves to a lobbying effort, or attempted to affect public debate by advertisements, public pronouncements, or support of advocacy groups. However, they are closely watching the issue through the use of company staff and resources to track and report on developments. These companies are said to be in a stage of "close monitoring."

Finally, companies may just have an "intellectual interest" in the issue because of its general impact on the nation's economic and social system. These firms will expend no special effort to collect information on this category of issue, but neither will they ignore reading about it or keeping generally informed on its development. Finally, as might be expected, there are some issues of so little direct concern to the company that firms say that they pay no attention at all to such matters.

How Companies Rank Issues

In order to provide a shopping list of issues that companies could choose from—in terms of both ranking and reporting on their degree of concern and involvement—Conference Board researchers first conducted a series of interviews with public affairs officers to determine which issues were of most concern to these executives. Researchers also reviewed secondary sources, such as public opinion polls, industry surveys, and so on, to uncover additional issue topics. In total, twenty-six separate issues were identified. (See box inset page 7.)

The Ten Most Important Issues

The companies surveyed were asked to rank the top ten most important issues affecting their firms, from among the twenty-six issues available. Some added issues, and these were included in the tabulation. The survey respondents chose, as the most important issues, the following ten categories, in order of their importance.

1. The federal budget deficit and related tax reform
2. Regulatory refrom
3. Environmental protection
4. Energy development

5. International trade relations
6. Health-care cost containment
7. Economic concentration
8. Local issues
9. South African investment
10. Plant closing laws.

Nearly a quarter of all firms rank the federal budget deficit as the leading policy issue of concern to their companies. Respondents use terms such as "out of control" and "fiscal morass" to describe the current budget situation. Many point to a link between federal budget deficits and to what they see as the overvaluation of the U.S. dollar, with a resulting impact on the trade deficit and related difficulties in securing international markets for U.S. exports. Just over half of the companies surveyed report an active involvement with this issue through corporate lobbyists or trade associations; nearly another quarter are closely monitoring this issue.

Company Comment on Key Issues

Company spokesmen were asked to describe the single issue of most pressing concern to their company and to elaborate on the reasons for that concern. An analysis of the commentary indicates that the following areas, listed by frequency of mention, received the most comment.

1. The federal budget deficit and related tax reform
2. International trade relations
3. Energy regulation
4. Toxic waste and Superfund
5. Telecommunications regulations
6. Banking and financial service regulations
7. Health-care costs
8. Tort liability reform
9. Transit regulations
10. Miscellaneous issues, such as South Africa, comparable worth, and general commentary regarding regulation.

The Federal Budget Deficit, Related Tax Reform

Current moves in the Congress to alter radically the rules by which the U.S. tax game is played are a subject of deep concern for many companies and industries. Insurers, banks, energy producers, and others are particularly worried that changes in tax structure will either dramatically increase their tax liability or significantly alter the ways in which their firms can do business.

Typical comments from such firms follow:

• "We do not oppose reform, simplification, and so on. However, we are very concerned that incentives for productive capital investment may be thrown out in the name of reform. We must stop the deindustrialization of the United States."

—an electrical machinery producer

• "Tax reform is of prime concern to us, particularly the need for enhanced equity among corporate tax payers, resulting from the growing disparity of effective tax rates among industries."

—a multinational food producer

• "Tax reform is by far the most important policy issue affecting the present and future of our corporation. First, it affects corporate policy in earnings. Second, it determines our ability to raise new capital for investment purposes. Third, it has an impact on oil and gas production, critical to our nation's defense, economic structure, and energy independence. Fourth, broad changes in a finely tuned tax structure can potentially have a very negative impact on our investors."

—an energy producing firm

• "Tax issues and their relationship to research and development are very important to us and to the nation, if we are to remain competitive."

—an electronics company

• "Taxation at federal, state and local levels has a great impact due to our large land and property holdings. Property, income and sales taxes are major priority issues for our firm's staff."

—a building products supplier

• "Federal tax reform is critical to our company. With an average effective tax rate of over 40 percent, we are particularly interested in efforts to reduce corporate tax rates. A reduction to 33 percent, as proposed by the Reagan Administration, would result in annual tax savings of more than $10 million for our company."

—a food retailer

Of particular interest in tax-reform proposals is the taxation of various employee benefits, such as insurance and health care, which are not presently subject to taxation. This proposal, as might be expected, is of particular concern to many of those in the insurance and financial services sector. Sample comments include:

• "Proposed taxation of employee benefits and life insurance cost values would be a disaster to our clients and to the public in general. Proposed taxation of fringe benefits, and the proposed taxation of inside build-up [dollar appreciation] of life insurance policies, will, if adopted, seriously damage this company's ability to survive."

—a life insurance company

• "Pending tax reform proposals that would produce an unfair and unsound tax on employee benefits, as well as a tax on the inside build-up of cash value on life insurance and annuities, would undermine the financial security and health protection of millions of Americans. It would also generate increased burdens on government via a "national health plan," and jeopardize the insurance industry that provides this protection."

—a health care insurer

• "Taxation of inside build-up on investment-type insur-

Issue Descriptions

* ***Aid to Israel***: Implication of extended aid to firms with buy-back responsibilities and those doing business in the Middle East.
* ***Business and Education***: Increased support to institutions; participation in the performance and structural aspects of the education system.
* ***Disarmament Negotiations***: The efforts and strategies to gain mutual arms reduction.
* ***Discrimination***:
  a. Age: issues involved in promotion, forced retirement, and new employment;
  b. Comparable worth: the continued examination in state courts and legislatures of the idea that men and women should receive the same pay for doing different jobs of similar difficulty that require equivalent skills;
  c. Ethnic discrimination: discrimination by color or nationality;
  d. Discrimination against the handicapped: training and provision of facilities to encourage employment of the handicapped.
* ***Economic Concentration***: Antitrust issues; methods of financing mergers; economies of scale; managerial efficiencies, etc.
* ***Electoral Reform***: Pending reforms; the role of PAC's.
* ***Employment-at-Will***: The doctrine of implied employment contracts and the increase in court cases alleging wrongful discharges.
* ***Environmental Protection***: Responsibilities of companies in the balanced management and development of natural resources.
* ***Family Services***: Provision of day-care assistance, flex-time programs, part-time work with prorated benefits, maternity leave as a disability, counseling for spouses and dependents.
* ***Federal Budget***: Reducing the deficit; related tax and budgetary reform.
* ***Federal Reserve Issues***: The effect of monetary policy on interest rates; oversight; lobbying to limit the powers of the Federal Reserve Bank.
* ***Financial Disclosure***: The release of company finances and operating results to the public, stock analysts, the media, etc.
* ***Health-care Costs***: Regulations to help contain costs by limiting doctors' fees, hospital growth; delivery system efficiencies; the related role of companies.
* ***Immigration Reform***: Proposed employee identification; employer liability for the hiring of aliens.
* ***International Investments***: Issues of joint ownership; technology transfer; expropriation; repatriation of assets; protection of facilities and employees against terrorist attacks.
* ***International Trade Issues***: Competition from foreign imports; subsidies; loan guarantees; the rise of the dollar.
* ***Local Community Issues***: For example, housing, zoning, industrial development, crime, etc.
* ***Plant Closing Laws***: Notice regarding the closure of plants, the anticipated strictures on location of new facilities, and related responsibilities for retraining workers; company-union relations.
* ***Religion and Business***: The impact on business of organized religious groups' advocacy of their interests.
* ***Regulatory Reform***: Further changes in regulations affecting business operations.
* ***Reregulation***: Reimposition of regulations in selected business sectors.
* ***South Africa***: The level of activity in responding to the boycotts and other current tensions.
* ***Structural Unemployment***: Retraining workers and redirecting students' career choices relative to long-term changes in labor pool requirements.
* ***Third World Issues***: The extent of concern regarding safety and public health issues in Third World countries.

ance policies could result in sweeping changes in the way the industry is structured. State-mandated health benefits and insurance coverage encourages employers to opt for uninsured and unsecured health programs and produces serious losses to insurance companies."

—a health and casualty insurer

International Trade Relations

As other recent Conference Board studies have shown, U.S. firms are increasingly restive over what they regard as unfair foreign competition.[1] A variety of firms, representing a diverse cross-section of industry and product types, commented on this issue. These observations include the following:

- "As a major producer in the U.S. textile industry, we are deeply concerned about the growing imbalance of international trade and the impact of unfair and unrestrained imports of foreign textile products flooding U.S. markets. At the same time, these countries close their markets to U.S. textile products; the result is a loss of U.S. jobs and the eventual capture of key U.S. markets by foreign producers."

—a textile manufacturer

- "There is a need for a national industrial strategy—not a policy—to attack the negative balance of trade and the coming credit crunch. U.S. businesses must be allowed to successfully compete with international competitors for a fair market share. The U.S. government should assist and not impede this process."

—an industrial equipment producer

At the same time, spokesmen from a minority of firms were worried that the swing toward protectionism—regardless of the arguments offered by its opponents—would ultimately have an adverse effect on the U.S. economy. Typical of these comments is the following:

- "Trade protectionism and undue restrictions on imports can adversely affect the U.S. marketplace. We seek domestic suppliers as a normal efficient business practice. But foreign suppliers are also sought for new, unavailable products of high quality and lower cost. Restricting trade only reduces competition and harms the consumer."

—a drug retailing firm

[1] For example, see Seymour Lusterman, *Foreign Competition and U.S. Trade Policies*. The Conference Board, Research Bulletin Number 187, 1985.

Energy Regulations

A number of firms participating in the survey are intimately involved in energy issues, either as producers or major consumers of energy. Most of these cite issues concerned with energy use, and/or regulation as their primary concern. Among the comments offered are:

• "Development of energy resources is vital to support an expanding economy. This issue is of extreme importance to both this company and the nation."

—a western utility firm

• "Adequate supplies of electrical energy in the 1990's are needed in order to sustain economic growth. Regulations of the nuclear industry frustrate new plant construction; air-quality regulations and acid rain proposals cloud the future of coal-burning plants. We need political decisions that assure that energy can be available at a reasonable cost."

—a southeastern utility

• "Politicized rate decisions are currently of the greatest interest to us. Without clear economic decisions, the company faces a tough financial future as it attempts to recover its investment in a shut-down nuclear plant."

—a midwestern utility

• "Changing competitive pressures at all levels of the natural gas industry are causing a fundamental change in our business. We are increasingly forced to act like any other business in a highly competitive industry, and much less like a regulated monopoly. This is a profound shift that will affect most aspects of our business."

—a western gas producer

• "We are particularly interested in the ongoing transition of the energy industry from a strongly regulated market to a 'freely competitive' market. This is creating dramatic changes in the way we have historically conducted our business. The impact on the methods and sources of future financing requirements is particularly severe."

—a gas transmission company

• "As a refiner, our company is particularly concerned with the increased reliance of the United States on foreign imports. Not only is this a threat to the viability of smaller independent refiners, but also a threat to the security of the nation."

—a midwest petroleum company

Toxic Waste and Superfund

Several environmental issues are of concern to the companies surveyed. None are so pressing as those dealing with Superfund and toxic waste disposal. The comments on this issue include the following:

• "As a long-time chemical manufacturer, we own and operate a number of toxic waste sites. Cleanup standards and criteria are extremely important. The entire matter of joint and several liability is of keen interest in connection with those sites to which we are small contributors. The question of the method of funding has immediate and direct impact on our international competitiveness and profitability."

—a chemical company

• "Superfund reauthorization is our first priority. Substantial increases in taxes for this would be extremely costly to our company at a time when competition from imported products has reached critical levels."

—a chemical firm

• "Superfund liability, and the lack of affordable liability insurance, exposes our company to considerable economic risks in the marketplace. As distributors, we would not be able to recover from a costly, multimillion-dollar damage suit as well as a manufacturer that enjoys larger profit margins and has more tangible assets."

—a chemical products distributor

Other issues involve concern about the environment in general, or the overall impact of environmental regulation on company operations.

Typical of the comments are:

• "The impact of not weighing risk versus benefit is a disservice to society that extends far beyond electrical utilities. These unwarranted restrictions affect employment by producing a higher cost of electricity and encouraging an already skyrocketing level of electricity imports from Canada."

—a midwestern utility

• "Federal and state environmental policies have a significant impact on our ability to gain access to acreage with resource potential and to locate and operate our facilities."

—a petroleum company

• "We are concerned that the environment (air, water, etc.), be kept clean. However, the regulations that come down are far more strict—and thus too costly—than is required to do a good job."

—a foundry firm

• "Environmental regulation is of intense interest because of the enormous economic impact on our customers and shareholders of unwarranted, unnecessary and punitive legislation."

—a waste management company

• "Environmental laws and regulations are the bane of this company's existence—yet they are the reason for the company's existence."

—a waste management company

Telecommunications Regulations

Perhaps no other industry has been so radically affected by regulation or deregulation as telecommunications. Telephone companies are concerned not only over what has already taken place, but about the direction in which future deregulation might lead. These companies' comments include:

• "Deregulation has rapidly and radically changed the telecommunications business during the last few years. It has

left no part of our business untouched. Managerial, marketing and planning areas have been greatly affected and the changes have only just begun."

—a California telephone company

• "Future steps by the government relative to competition in telecommunications are a critical issue for our company. Will the regulated carriers be allowed a level playing field on which to compete, or will they be restricted by being saddled with old-style regulations?"

—a western telecommunications company

• "Since deregulation, the cable industry in general, and our company in particular, has had to deal with regulation at every level—locally, through franchise agreements; statewide, through public-utility commissions; and federally, through the FCC and other regulatory agencies. With the passage of the Cable Communications Act of 1984, the burdens of rate-setting [applications] increased for basic services and renewal and franchise fees. Efforts are now underway to position cable as a First Amendment electronic publisher."

—a national telecommunications company

Banking and Financial Service Regulation

Banks, insurers, stock brokers, and other financial service firms are focusing their attention on the impact that deregulation of their industries has already produced, and are worried about future effects on competition that might result either from further relaxation of regulation or—in some cases—from the reimposition of regulation. Among the concerns voiced by those in the survey are:

• "Deregulation of bank products and services and interstate banking are of major concern to us. Our position calls for a national policy regarding both issues."

—a midwestern bank

• "Government regulation of the finance industry is quite simply a life and death issue for us."

—a southeastern bank

• "The efforts of the banking community to enter the life-insurance business—through bank deregulation—will have an enormous impact on the financial services industry and is our primary concern."

—a northeastern life insurance company

Health-care Costs

A number of firms, including many not in the health-care products or services sector, are vitally concerned about the impact of steadily rising health-care costs. Among the worries they express are:

• "Health-care cost containment directly affects the cash flow and profits of our company's health insurance operation. And, the taxation of health-care benefits would also, of course, affect the sale of our products. Thus, cost containment is of vital interest to us."

—a southeastern life insurance company

• "Rising health-care costs are increasingly significant as operating costs to corporations. Many ways to reduce these costs are being explored at our company."

—a transit company

• "As a life-sciences company, we are naturally concerned with public policies affecting our medical products while, as payers of insurance for our employees, we must consider cost-containment measures: not just for our company, but most broadly. The future of health-care will be a major corporate issue."

—a medical products supplier

Tort Liability Reform

Both manufacturers and insurers are worried about the rise in tort liability litigation. They are concerned about the cost impacts on companies' operations and about the availability of insurance protection. Typical of the concerns expressed are:

• "Tort liability rulings in today's legal climate are costly, and they set widespread precedents that could bankrupt the insurance industry."

—a midwestern insurance firm

• "The medical malpractice issue is of overwhelming importance. We're the largest insurer in this line. Many interested parties have offered solutions to the rising claims and costs, but it is a problem that is still with us."

—a northwestern insurer

• "Tort liability considerations are affecting the way we do business and the kinds of products we introduce."

—a consumer goods manufacturer

Transit Regulations

Trucking, airline and railway firms have traditionally made regulation an issue of prime importance. In today's regulatory environment, with all of the uncertainties that a company faces as a result of deregulation—and the prospect for reregulation in certain sectors—transportation firms are particularly concerned with regulatory issues. Among the comments provided are:

• "The ninety-ninth Congress is reexamining the 1980 Staggers Rail Act which partially deregulated the financially troubled rail industry. New or renewed regulation of the free-market environment could have a serious impact on the competition and innovative marketing now prevalent in the industry."

—a midwestern railroad

• "Congressional efforts to reduce the federal deficit have put funding for passenger service in jeopardy. The significance of this problem is obvious—in terms of both continued operations of passenger lines and employee morale."

—a northeastern railroad

• "The process of reregulation, then deregulation and reregulation, will cause the demise of many U.S. airlines."

—a regional airline

• "Regulation and deregulation are at opposite ends of the same spectrum and vital to our company. The free market has brought us into a truly competitive environment. As a result, we have accomplished an economic turnaround and achieved success in the marketplace."

—an international airline

Miscellaneous Issues

Several of the firms surveyed also listed various human resource topics as issues of prime concern to their firms. Comparable worth was listed by some companies that believe that this issue is likely to have great staying power and to become even more important over time. The expansion of employees' protection against arbitrary termination, as expressed in state-based employment-at-will statutes, also worries a number of firms.

Reflecting the international climate, several companies say that the situation in South Africa, and its likely effects on U.S. investments in that country, are also a matter of concern. These companies point out that the South African position on apartheid is rapidly becoming a major domestic public policy issue that will continue to concern U.S. multinational firms for years to come.

Focusing Company Resources

In measuring degrees of company involvement the survey finds that companies are currently most likely to commit resources by active lobbying or support for groups attempting to affect the public on these issues (what we call "active involvement"). It is also possible to combine the "active involvement" category with "close monitoring" to obtain a broader indication of significance. This produces a slightly different rank ordering. When "active involvement" and "close monitoring" are combined, the ten top issues are:

1. Health-care costs
2. Regulatory reform
3. The federal budget deficit and related tax reform
4. Environmental protection
5. Age discrimination
6. Comparable worth
7. Electoral reform
8. Reregulation
9. Economic concentration
10. International trade.

Analyzing Public Affairs Failures

Respondents were asked to comment on instances in which they had been less than successful in their mission to affect the debate on, and resolution of, issues. Answers fell into two main categories; the first concerned systemic or process failures; the second category dealt with specific issues on which company efforts to intervene had been unsuccessful.

The chief systemic difficulties fall into six categories.

(1) *The "too little, too late" syndrome.* Public affairs executives complain that, in some instances, their firms had been late in reacting to issues of vital concern to the company and that, when the reaction did take place, it was so weak as to be of little value. This does not mean that the company did not identify the issue early. Rather, it suggests that senior management was unwilling to believe that the issue would have a severe impact and that it was too late to make a difference by the time they did accept this notion.

One public affairs executive says: "Typically, we warn management of various legislative initiatives or proposals that will clearly affect our operations. But, sometimes, either they don't believe the law is going to be passed or they just don't want to get involved. Then, at the eleventh hour, they decide to get into the act but usually on a scale that won't make any difference."

(2) *Failure to recognize how long it takes to change attitudes.* Respondents point out that companies often underestimate the length of time it will take to change public attitudes about particular issues. They believe, some public affairs officers state, that by simply exposing the public to the "truth" of a particular situation that attitudes will automatically change—but often they do not. This is particularly true in the case of environmental issues. "We go in with two strikes against us, when it comes to persuading the public that we have no intention of transgressing environmental laws. People seem to believe that companies inherently want to pollute," one executive states.

(3) *Failure to become involved in local issues until confrontation with public interest groups occurs.* Many companies prefer to stay out of local community disputes. As a result, they fail to take a position on issues that ultimately will affect their businesses. In some cases, respondents point out, firms fail to express themselves on an issue until they are confronted by an adversary. Then, the public affairs specialists say, it is too late for the firm to garner local community support for its position.

(4) *Reluctance on the part of both senior- and mid-level managers to take time out of their schedules to become involved in issues management.* Both top- and mid-level managers, the survey respondents report, have an aversion to becoming involved in issues management. They believe that this is a task that can be wholly delegated to a specialist group in the company, that is, public affairs. But statements from top- and mid-level managers explaining company positions on various complex or technical issues are often needed. It is not enough to rely solely on "company spokesmen."

(5) *Failure to communicate the strategies and tactics used by companies in dealing with public policy issues to employees.* When companies do become involved in attempting to alter public opinion or their legislators' views on issues of concern, they sometimes fail to let their own employees in on the company's positions, strategy and communications tactics. Companies sometimes ignore employees and consider them another part of the public at large, a common systemic failure in issues management.

(6) *Inability to educate legislators to the nature of the com-*

pany's business. In attempting to influence the course of legislative action, companies are often stymied by their inability to "educate legislators" on how these firms do business. In particular, public affairs officers complain that legislators often have a poor grasp of financial concerns. The fault does not lie with the legislators alone; companies do not always make a convincing case when describing the impact that various legislation will have on their financial structures.

Failures on Individual Issues

Some of the respondents surveyed chose to focus on a particular issue that had attracted considerable company attention and effort and yet had resulted in failure. The five issues most frequently described as "failures," in that firms were unable to persuade legislators or regulators of their views, include:

(1) Tort liability reform
(2) Federal budget and tax reform
(3) International trade issues—particularly the use of "voluntary restraint" agreements
(4) State-level issues, such as unemployment taxes, environmental regulation, and so forth
(5) Natural gas deregulation.

There were other failures cited, but they usually referred to a specific company situation or a narrow interest. Each of the five topics noted was mentioned by several respondents.

Methods Used to Affect Issues

Companies have a variety of methods available to them by which they can hope to affect the development of public policy issues; methods that may persuade key constituent groups (customers, stockholders, the public at large, etc.), that the company's views on a particular issue are the correct ones. Public affairs officers were asked to indicate which of the seven principal methods (listed below) they use in attempting to influence an issue.

(1) Single-issue lobbying
(2) Working through trade associations
(3) Working with groups of companies
(4) Supporting those candidates who share company views
(5) Supporting advocacy or public interest groups
(6) Public relations consultants
(7) Paid advertisements in specialty or general media.

The primary method, employed by approximately three-quarters of the firms, is single-issue lobbying. This means that firms target a major issue and have their representatives write articles, testify before legislative bodies, and address interest groups presenting the company's views on this single issue.

At the same time, firms may also work through their trade associations on the same issue. More than two-thirds of the firms also use this technique. In some instances, it is not appropriate to work through a trade association on a particular issue—either because a trade association is not available or the issue is not of sufficient interest to all members of the association, or the members do not agree on the issue—and firms will seek coalitions with other interested companies. Approximately two-thirds of the companies also use this method of affecting a public policy issue.

Those firms with political action committees (PACs) seek candidates who share the views of the company, and four out of ten firms say that this is an effective method of affecting the debate on various public policy topics. This technique has an impact on the success of the firm's single-issue lobbying effort and, in many companies, becomes an integral part of that effort.

Only a little more than a quarter of the firms say that they rely on advocacy or public interest groups to carry the burden. Those that do support advocacy groups nearly always do it in combination with lobbying and trade association efforts. A fifth of the firms also employ public relations consultants to help their own staffs deliver their message on issues. Only a minority, however, rely on paid advertising to sway public views on issues of concern to the company.

Forecasting Emerging Public Policy Issues

Companies were asked to forecast which of the various public policy issues they are currently dealing with—or perhaps entirely new ones—they believe would be of most pressing concern to them three years from now. Public affairs officers, who must often operate within short time horizons, were understandably reluctant to forecast what the top-priority issues would be in 1988. Nonetheless, they selected from the menu of issues presented in the survey those that they believe are virtually certain to be of concern to their companies three years hence. The issues identified are:

(1) Tax reform
(2) Deregulation
(3) Federal budget deficit
(4) Environmental protection
(5) International trade
(6) Health-care costs.

The time frame for the projected resolution of these issues varies greatly. Tax reform is perceived as an issue that will take a year or more to resolve—if it is resolved at all. Deregulation, by contrast, is an issue that is likely to be of concern, in the view of public affairs officers, for the "foreseeable future."

The survey finds growing optimism on budget-deficit reform due to the recently enacted Gramm-Rudman-Hollings bill. Environmental protection issues are seen as a long-term "sword of Damocles" suspended over most corporations, and the survey respondents are equally pessimistic about the resolution of international trade issues, forecasting a likely stalemate between the Congress and the Administration. They are, however, more optimistic about health-care costs and believe this issue may recede in importance by 1990.